

**RURAL WATER DISTRICT NO. 5,  
DOUGLAS COUNTY  
Lawrence, Kansas**

**REGULATORY BASIS FINANCIAL STATEMENTS  
For the year ended December 31, 2014  
And**

**INDEPENDENT AUDITOR'S REPORT**

**...KL...**

***Karlin & Long, LLC***  
***Certified Public Accountants***

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**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY**  
Lawrence, Kansas

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**Karlin & Long, LLC**  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

To the Board of Directors  
Rural Water District No. 5, Douglas County  
Lawrence, Kansas 66047

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Rural Water District No. 5, Douglas County ("Municipality") as of and for the year ended December 31, 2014, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the financial statement is prepared by Rural Water District No. 5, Douglas County to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Rural Water District No. 5, Douglas County as of December 31, 2014, or changes in financial position and cash flows thereof for the year then ended.

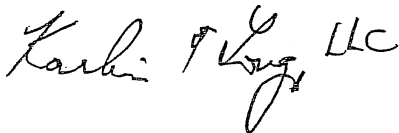
***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Rural Water District No. 5, Douglas County (“Municipality”) as of December 31, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the 2014 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2014 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and

other records used to prepare the 2014 basic financial statement. The 2014 information has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Karlin & Long, LLC". The signature is written in dark ink and is positioned above the printed name of the firm.

Karlin & Long, LLC  
Certified Public Accountants

Lawrence, KS  
January 31, 2015

**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY**  
**REGULATORY BASIS**  
**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
For the year ended December 31, 2014

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add	
						Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Proprietary Type Funds							
Water Utility	\$ 646,566	\$	\$ 1,159,199	\$ 1,077,529	\$ 728,236	\$	\$ 728,236
Total Reporting Entity	\$ 646,566	\$ 0	\$ 1,159,199	\$ 1,077,529	\$ 728,236	\$ 0	\$ 728,236

Composition of Cash

Checking Accounts	\$ 263,926
Savings Accounts	26,426
Petty Cash	
Certificates of Deposit	437,884
Total Reporting Entity	\$ 728,236

The notes to the financial statements are an integral part of this statement.

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies**

**Financial Reporting Entity**

Rural Water District No. 5, Douglas County (the District) is a water utility that provides service for domestic, agricultural, and other purposes to rural customers. The district was organized under Kansas law as a quasi-municipal corporation. The District is accounted for as an enterprise fund using the cash basis and budget laws of the State of Kansas. The District's purpose is to acquire water and water rights, to build and acquire pipelines and other facilities, and to operate the same for the purpose of furnishing water to owners and occupants of land located within the District.

**Regulatory Basis Fund Types**

**Business Funds** – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, etc.)

**Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America**

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt. Accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The district has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the district to use the regulatory basis of accounting.

**Use of Estimates**

The preparation of financial statements in compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Use of Estimates (Continued)**

that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purposes of the summary of cash balances, cash and cash equivalent are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

**Accounts Receivable**

The District reads the meters and mails the bills between the 25<sup>th</sup> and the end of the month. Payments are considered delinquent if not paid by the 16<sup>th</sup> and are subject to a late charge of 10%.

**Inventory**

Inventory consists primarily of meters, pipe, and line maintenance material. Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

**Property and Equipment**

Property and equipment are recorded at cost. Improvements and betterments to existing property and equipment are capitalized. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense totaled \$ 215,474 for the year ended December 31, 2014.

**Loan Costs**

Loan costs are costs in connection with issuing revenue bonds. These costs include the loan origination fee. The costs are being amortized over the life of the loan using a straight-line method.



**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

**Benefit Units**

Benefit units are rights that entitle the holder to water service. Benefit units are presently sold for \$ 6,800 and are added directly to equity rather than recognizing these sums as revenues.

**Income Taxes**

The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level. The Organization's payroll tax returns for the years ending 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

In a 1992 published Internal Revenue Service opinion, it was determined that Kansas rural water districts do not qualify as political subdivisions for the purposes of the exemption from payment of FUTA. No claim has been asserted against the District for this tax, nor is the amount of any such claim determinable at this time. Kansas law has been changed, effective March 20, 1992, the result of which causes rural water districts to again qualify as a political subdivision for the purpose of the exemption for payment of FUTA. We are unable to determine at this time whether or not a claim will ultimately be asserted against the District, the likelihood that it would ultimately be held liable for that claim, or the ultimate amount of that claim, if assessed. Consequently, no additional liabilities relating to a possible claim have been recognized.

**NOTE 2 – Stewardship, Compliance and Accountability**

We noted no violations of Kansas Statutes for the period under audit. The amount of expenditures for the water district can exceed the budgeted amount since the board approves all expenses and the district is not subject to the budgetary requirements of K.S.A. 79-2925.

**NOTE 3 – Deposits and Investments**

**Deposits**

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – Deposits and Investments (continued)**

**Deposits (Continued)**

for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2013.

At December 31, 2014, the District's carrying amount of deposits, including certificates of deposit, was \$ 728,236 and the bank balance was \$ 728,608, of which \$ 728,608 was covered by FDIC insurance.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – Water Contracts**

In June 1974, the District entered into a 40-year contract with an addendum added in May 1975, for treatment of water from the City of Lawrence, Kansas. New contracts were entered into in December 1998 and October 2008.

In 1977, the District entered into a 40-year contract with the State of Kansas, represented by the Kansas Water Resources Board, which allows the District to withdraw 48 million gallons of water from Clinton Lake. The Kansas Water Resources Board has the right to review the contract and determine a new rate every ten years. In 1995, the District entered into an additional 40-year contract with the State of Kansas, Represented by the Kansas Water Resources Board, which allows the District to withdraw 135 million gallons of water from Clinton Lake.

**NOTE 5 – Defined Benefit Pension Plan**

**Plan Description** – Rural Water District No. 5, Douglas County, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

**Funding Policy** – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depending on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of section 414 (h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

The State of Kansas is required to contribute the statutory required employers share.

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – Claims and Judgments**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The District has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2013 to 2014 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the District is a party to various claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material financial impact on the District.

**NOTE 7 – Other Long Term Obligations from Operations**

**Other Post Employment Benefits**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

**Compensated Absences**

The District pays vacation time up to 10 days a year for employees who have worked less than 10 years. For employees who have worked more than 10 years but less than 20 years, the District will pay for three weeks of vacation. For employees who have worked more than 20 years, the District will pay for four weeks of vacation. The district allows full time employees sick leave at the rate of eight hours per month with an accumulation to a maximum of 720 hours. Upon separation from the district the employee shall be compensated at their regular rate of pay for 25% of unused accumulated sick leave. No accrued vacation or sick leave is included in these financial statements due to the immateriality of the amount.

**NOTE 8 – Concentration of Suppliers**

The District acquires 100% of its water supply from the State of Kansas. The City of Lawrence and Tri-District plant treat, processes and transports water to Rural Water District #5. There are no other suppliers of water available for the District.

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Lawrence, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – Compliance With Other Finance-Related Legal and Contractual Provisions**

The District is required to maintain a loan reserve amount equal to 10% of the original revenue bond issuance.

The following represents a recap of the debt reserve requirements:

Certificate of Deposit	<u>\$ 65,000</u>
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**NOTE 10 – Debt Reserve Fund**

In 2012, the District refinanced loans from the Kansas Public Water Supply Loan Fund (KPWSLF) to Revenues Bonds totaling \$ 650,000 (\$ 495,000 outstanding at December 31, 2014) bearing interest at 1.90%. Revenues of the District have been pledged as security. As part of the loan, the District is required to maintain a debt service coverage ratio of 1.25 and establish a loan reserve account in the amount of 10% of the unpaid principal. The District's debt service coverage ratio for 2014 as calculated by the financial worksheet is 1.93 and is shown as follows:

Income from operations	\$ 27,254
Interest expense	10,355
Depreciation	<u>215,474</u>
 Net Revenue available for Debt Service	 253,083
Debt service	<u>115,355</u>
 Debt service coverage ratio	 <u>2.19</u>

**NOTE 11 – Subsequent Events Review**

Subsequent events for management's review have been evaluated through January 31, 2015. The date in the prior sentence is the date the financial statements were available to be issued.

**NOTE 12 – Long Term Debt**

The following are schedules of the long term debt and current maturities of debt of the District.

Note - 12

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**  
Statement of Changes in Long-Term Debt  
For the year ended December 31, 2014

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bonds	0.75%-2.40%	7/30/2012	\$ 650,000	8/1/2022	\$ 650,000	\$	\$ 155,000	\$ (155,000)	\$ 495,000	\$ 15,233
Loans:										
Total Long Term Debt					\$ 650,000	\$ 0	\$ 155,000	\$ (155,000)	\$ 495,000	\$ 15,233
		2015	2016	2017	2018	2019	2020-2022	Total		
Principal	\$	\$	\$	\$	\$	\$				
General Obligation Bonds								\$ 0		
Special Assessment Bonds								0		
Certificates of Participation								0		
Capital Leases								0		
Revenue Bonds	55,000	80,000	55,000	55,000	55,000	60,000	190,000	495,000		
No-Fund Warrants								0		
Temporary Notes								0		
Total Principal	55,000	80,000	55,000	55,000	55,000	60,000	190,000	495,000		
Interest										
General Obligation Bonds								0		
Special Assessment Bonds								0		
Certificates of Participation								0		
Capital Leases								0		
Revenue Bonds	4,628	8,406	7,318	6,430	6,430	5,280	7,996	40,058		
No-Fund Warrants								0		
Temporary Notes								0		
Total Interest	4,628	8,406	7,318	6,430	6,430	5,280	7,996	40,058		
Total Principal and Interest	\$ 59,628	\$ 88,406	\$ 62,318	\$ 61,430	\$ 61,430	\$ 65,280	\$ 197,996	\$ 535,058		

**Rural Water District No. 5, Douglas County**

**Regulatory-Required**

**Supplementary Information**

**For the year ended December 31, 2014**

**RURAL WATER DISTRICT NO.5, DOUGLAS COUNTY**

## Summary of Expenditures - Actual and Budget

For the year ended December 31, 2014

Funds	Certified Budget	Adjustments for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
		Qualifying Budget Credits				
Proprietary						
Water Utility	\$ 1,109,425	\$ 0	\$ 0	\$ 1,109,425	\$ 1,077,529	\$ (31,896)



**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY**  
**REGULATORY BASIS**  
**WATER UTILITY FUND**

Statement of Receipts and Expenditures - Actual and Budget  
For the year ended December 31, 2014

	Actual	Budget	Variance- Over (Under)
<b>CASH RECEIPTS</b>			
Water sales	\$ 940,645	\$ 999,742	\$ (59,097)
Reimbursements	150,466	91,000	59,466
Capital contributions	61,200		61,200
Interest income	1,720	2,150	(430)
Miscellaneous	5,168		5,168
Operating transfers			0
	<u>1,159,199</u>	<u>1,092,892</u>	<u>66,307</u>
<b>EXPENDITURES</b>			
Water purchased	261,347	254,883	6,464
Wages	335,334	330,780	4,554
Payroll taxes	28,298	26,985	1,313
Other taxes and fees	4,248		4,248
Water fees	4,019	4,367	(348)
Contract services	6,528	7,200	(672)
Health insurance and KPERS	63,505	63,145	360
Insurance	17,032	17,000	32
Supplies	6,597	22,660	(16,063)
Utilities	19,594	18,000	1,594
Telephone, Internet and radio	7,493	11,300	(3,807)
Office supplies and postage	19,875	14,000	5,875
Vehicle expense	33,061	40,000	(6,939)
Professional fees	5,160	6,000	(840)
Plant and equipment purchases	44,014	135,500	(91,486)
Inventory purchases	7,440		7,440
Repairs and maintenance	33,406	28,500	4,906
Engineering		3,600	(3,600)
Training and conferences	2,895	3,100	(205)
Dues	1,040	2,900	(1,860)
Miscellaneous	6,410	4,150	2,260
Debt service	170,233	115,355	54,878
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>1,077,529</u>	<u>\$ 1,109,425</u>	<u>\$ (31,896)</u>
<b>Receipts Over (Under) Expenditures</b>	81,670		
Unencumbered Cash, Beginning	646,566		
Prior Year Cancelled Encumbrances	<u>0</u>		
<b>Unencumbered Cash, Ending</b>	<u>\$ 728,236</u>		

**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY****BALANCE SHEETS**

As of December 31, 2014 and 2013

	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 290,352	\$ 210,661
Certificates of deposit	372,884	370,905
Account receivable	84,612	65,465
Inventory	42,116	43,179
Prepaid insurance	14,147	14,497
Prepaid loan payment	54,878	
Prepaid water	<u>26,168</u>	<u>22,425</u>
Total current assets	885,157	727,132
Property, plant, and equipment, net	3,875,357	4,047,191
Other Assets		
Debt reserve	65,000	65,000
Loan costs	20,569	20,569
Amortization of loan costs	<u>(4,114)</u>	<u>(2,057)</u>
Total Assets	\$ <u><u>4,841,969</u></u>	\$ <u><u>4,857,835</u></u>
<b>LIABILITIES AND DISTRICT EQUITY</b>		
Current Liabilities		
Current maturity of long term debt	\$ 105,000	\$ 105,000
Accrued payroll	25,973	25,523
Water protection fee payable	937	937
Interest payable	<u>-</u>	<u>4,393</u>
Total current liabilities	131,910	135,853
Long Term Debt	545,000	650,000
Current maturity of long term debt	<u>(105,000)</u>	<u>(105,000)</u>
Total liabilities	571,910	680,853
District Equity	<u>4,270,059</u>	<u>4,176,982</u>
Total liabilities and district's equity	\$ <u><u>4,841,969</u></u>	\$ <u><u>4,857,835</u></u>

**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY****STATEMENTS OF OPERATIONS**

For the periods ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Water sales	\$ 946,534	\$ 857,595
Reimbursements	32,191	17,575
Contract labor	110,921	78,925
Line Extension	20,176	25,298
Miscellaneous	3,851	275
Operating transfers		
Total revenues	<u>1,113,673</u>	<u>979,668</u>
<b>Expenses</b>		
Water purchased	265,090	230,035
Wages	335,784	324,206
Payroll taxes	28,298	24,643
Other taxes and fees	4,248	4,294
Water fees	4,019	4,429
Contract labor	6,528	5,286
Health insurance and KPERS	63,505	64,734
Insurance	17,382	16,157
Supplies	6,597	4,944
Utilities and radio	19,594	16,968
Telephone, Internet, radio	7,493	7,130
Office supplies and postage	19,875	17,146
Vehicle expense	33,061	28,963
Professional fees	5,160	5,987
Depreciation	215,474	211,224
Amortization	2,057	7,621
Inventory purchases	8,503	5,764
Repairs and maintenance	33,406	14,817
Engineering	0	0
Training and conferences	2,895	3,227
Dues	1,040	1,150
Miscellaneous	6,410	2,235
Total expenditures	<u>1,086,419</u>	<u>1,000,960</u>
Income from operations	27,254	(21,292)
<b>Other income (expense)</b>		
Interest income	1,720	5,410
Interest expense	(10,355)	(25,814)
Late charges	13,258	11,509
Total other income (expense)	<u>4,623</u>	<u>(8,895)</u>
<b>Net income (loss)</b>	31,877	(30,187)
<b>District Equity - Beginning of Year</b>	4,176,982	4,193,569
Benefit units sold	61,200	13,600
<b>District Equity - End of Year</b>	<u>\$ 4,270,059</u>	<u>\$ 4,176,982</u>

**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY****SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS**

As of December 31, 2014

<u>Property Covered</u>	<u>Coverage</u>	<u>Expires</u>
Commercial property:	90% Coinsurance	11/10/2015
Building and personal property	1,585,000	
General Liability:		11/10/2015
Aggregate Limit -		
products/completed operations	2,000,000	
other than products/completed ops	2,000,000	
Personal and advertising injury	1,000,000	
Fire damage (per fire)	100,000	
Medical expense (per person)	5,000	
Commercial Auto:		11/10/2015
Liability insurance (per loss)	500,000	
Uninsured motorist	500,000	
Underinsured motorist	500,000	
Commercial Inland Marine:		11/10/2015
Acquired locations	250,000	
Newly purchased hardware	250,000	
Data processing	10,500	
Workmen's compensation:		11/10/2015
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty:		11/10/2015
Per loss	100,000	
Errors and Omissions		11/10/2015
Claim	1,000,000	
Aggregate	1,000,000	
Terrorism - Defined certified acts	varies	11/10/2015

## RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY

## SCHEDULE OF FIXED ASSETS ADDITIONS AND RETIREMENTS

As of December 31, 2014

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>2014</u>
Rural water system	\$ 5,852,220	\$ 43,640	\$ -	\$ 5,895,860
Water towers	458,162			458,162
Standpipe and pumps	68,788			68,788
Booster station	415,452			415,452
Road improvements	3,500			3,500
Land	49,853			49,853
Equipment, furniture and fixtures	92,805			92,805
Building	142,211			142,211
Vehicles	55,826			55,826
	<u>7,138,817</u>	<u>43,640</u>	<u>-</u>	<u>7,182,457</u>
Less accumulated depreciation	<u>(3,091,626)</u>	<u>(215,474)</u>		<u>(3,307,100)</u>
Water system	<u>\$ 4,047,191</u>	<u>\$ (171,834)</u>	<u>\$ -</u>	<u>\$ 3,875,357</u>

**RURAL WATER DISTRICT NO. 5, DOUGLAS COUNTY**

**BOARD MEMBERS AND OFFICERS**

As of December 31, 2014

Chairman:	Kurt Look 626 N 1000 Rd Lawrence, KS 66047
Vice Chairman:	Dan Suchy 568 N 775 Rd Lawrence, KS 66047
Secretary/Treasurer:	Richard Rose 2806 Winterbrook Circle Lawrence, KS 66047
Board Member:	Gordon Berry 530 N 955 Rd Lawrence, KS 66047
Board Member:	Dan Welch 817 N 900 Rd Lawrence, KS 66047
Board Member:	Amy Barnes 1063 N 1172 Rd Lawrence, KS 66047
Board Member:	Lizz Crist 173 E 550 Rd Lawrence, KS 66047